

MONEY STRINGENCY IN CANADA

Prominent Canadian Bankers, Brokers and Commercial Men Speak of the Financial Situation.

Opinions differ widely as to the cause of the money stringency. Industrial expansion is perhaps the most popular explanation. Very few financiers appear to have anticipated the rise in interest rates, and the decline in stocks. It is not generally expected that money will become much dearer. Low rates would appear to depend somewhat upon a lessening of industrial activity in Canada—an event which is apparently very far distant. The situation is curious. The stringency overtook the industrial world, with very little warning. Which would tend to show how little is known of the laws which are supposed to govern in economic and industrial spheres.

Some Opinions—Old and New.

The Monetary Times has interviewed prominent financiers, commercial men, stockbrokers, and other gentlemen throughout the Dominion, and their views are given below. Other expressions will appear next week.

Mr. Charles Hosmer, a director of many Montreal financial and industrial concerns, did not think that the banks could have done more than they were doing to relieve the situation.

"It is not as if tight-money were merely a local complaint," said he. It is world-wide, and I am not sure that it is not more marked in other countries. Consequently, I do not see how our banks could relieve the situation."

"To what do you attribute the conditions?"

"Students of economic matters go back to the wars of the past few years, and also to the great destruction of property in various ways. We, in Canada, certainly know that the expansion of all sorts of industries and the development and extension of railways, rapid as they have been, have not kept pace with the requirements of the country. This, in spite of the fact that every effort has been made to meet the situation."

"It has been suggested as a remedy that the banks should increase their capital."

Circulation Sufficient for Crop Movement.

"I do not think that the customers of the banks have been refused money to carry on their businesses, so long as they had proper security to offer. Even during the crop movement there has never been an actual lack of circulation. Banks may have had to borrow from each other, but, on the aggregate, there has always been a margin of several million dollars, which could have been issued had necessity demanded. I have no doubt that this fall the experience will be the same, and that the circulation will be found sufficient. If the banks decided to increase their capital, I hardly know who would be able to buy the stock just now. The amount of money locked up is very great, and it cannot be always released at will. The banks are doing their best not to tie their funds up for long periods. They always keep a large amount on call, at New York, to provide against emergencies."

"Can anything be done to relieve the situation?"

"It will right itself in time. The high rates for money will have the effect of putting the breaks on speculation, and will be further influenced by the completion of some of the large undertakings which are now calling for much capital. When we begin to catch up, matters will gradually adjust themselves."

"Do you think the turn will come soon?"

"So far as Canada is concerned, expansion will continue for many years. But this will not be the case in all countries, and Canada will be influenced by the situation in the outside world. Money will probably be dear for some time to come."

"By the way," said Mr. Hosmer, in concluding, "if you compare the inspection of wheat at Winnipeg, each week, with the same periods of last year, you will find where a good deal of money is being used this season, which was available for other purposes a year ago. A large amount of money will be employed for the next month or so in the work of shipping the 1906 crop; and then will commence the movement of this year's crop. This is a most important duty of the banks, and they will doubtless be able to finance just as much grain as the railways will be able to move."

Almost a Dozen Reasons.

A Toronto wholesale merchant thinks that everyone has a pet theory for the embarrassing money situation. "The Boer war," he said, "the Russo-Japanese war, the numerous earthquake disasters last year, Cobalt, real estate speculation, industrial expansion, transportation problems, vagaries of New York Stock Exchange methods, and labor troubles are a few of the causes which have been given."

"Perhaps it would be correct to say that all of them are right to some degree. I think a combination of events,

some desirable, some undesirable, have created the situation. Really I see nothing extremely serious in it except that all of us must proceed with care until things are righted."

"I do not think that the industrial expansion of the country is the chief cause of the money scarcity," was the opinion of another Toronto business man. "To my mind real estate speculation and investments in Cobalt stocks are the chief factors. There are a great many more people interested in this way than the average man imagines."

"People who have been in the habit of allowing their savings to remain in the banks, thus strengthening the bank's position, have withdrawn it in the boom of a get-rich-quick craze. Of course, industrial expansion accounts for a great deal, but the other two reasons in my opinion are the chief contributory ones."

"What is making money so tight?" "If your question refers to the Canadian market," said a Toronto banker, "I answer that Canada is building for the future, and at a remarkable pace. She is putting money into plants, electrical, smelting, and others; into mines, into manufactures, into new boats and railroads. She needs a lot of money to do all this. The supply of her own money has never been adequate for her wants, and she has always had to borrow."

"When she goes abroad now-a-days to borrow, other peoples are found applying to the great money centres, for expansion has seized upon them too, and there does not appear to be ready money enough to go around. The situation is aggravated here by the serious railway tie-up of last winter in the West, and further still by the late opening of spring. Besides, Cobalt and other speculative ventures have locked up a lot of money that might have been available."

Industrial Expansion the Chief Cause.

Mr. A. G. Ross, the Montreal manager of the National Trust Company, thinks the situation has been brought about by the extraordinary commercial and industrial expansion of the past few years. "There are, of course," he added, "a number of contributory causes as well, but the industrial and commercial expansion has made the greatest demand upon banking capital."

"The expenditure upon railways has been enormous, in the extension of lines construction of tunnels, bridges and terminals, and the same thing applies to the city and suburban electric railways which have greatly extended their areas of operation."

"Foundries, rolling mills, flour mills and nearly every class of factory has been increasing buildings and plants, while pay-rolls are much heavier, owing to the greater number of hands employed and the increased wage of the men."

"As banks generally pay first attention to the demands of commerce and trade, it is only natural that the borrowers on bonds, stocks and such securities should at present find it difficult to obtain the funds they require."

"The great bond houses find a very dull market, as men who ordinarily invest in bond securities are finding more profitable investment of their funds in the extension of their own business operations, whether industrial or commercial, and this gives the investor the best opportunity for years past to purchase at prices to yield a high interest return."

Effect on Real Estate Loans.

"Have real estate loans been much affected?"

"Yes. Borrowers on first mortgage security who got the money they required a few years ago at from 4% to 5 per cent. are now compelled to pay 5% to 6 per cent., and accept these rates for terms of three and five years. Advantage of this condition is being fully taken by trustees and executors having funds to invest."

"Do you think the rate on money has permanently altered or is the present high interest period only a temporary phase?"

"It is a temporary condition; and when commercial and industrial activity slows down a little, as it must, the surplus funds that are always accumulating will find their way into bond and stock investments as heretofore."

"Could anything have been done to prevent the present situation?"

"It is possible that it might have been to some extent avoided if the world's great bankers and financiers had anticipated and attempted to provide for this period of prolonged prosperity and business expansion which exists not only in Canada and the United States, but is practically world-wide."

"The tendency of the great bankers is to take broad views of the monetary situation, whether local or general, and co-operate with one another in keeping financial conditions throughout the world as normal as possible, and this will gradually adjust matters and relieve the present discrepancy between the supply and demand for money."